

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 XMB-02 EB-08 COME-00 TRSE-00 OMB-01
AID-05 IGA-02 DHA-05 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
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APPROVED BY ARA:FMCNEIL
ARA/ECA:RWZIMMERMANN
ARA/ECP:SROGERS
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FM SECSTATE WASHDC
TO AMEMBASSY ASUNCION PRIORITY

C O N F I D E N T I A L STATE 233971

FOR AMBASSADOR LANDAU

E.O. 11652: GDS

TAGS: SHUM, PFOR, EFIN, PA

SUBJ: PARAGUAYAN AMBASSADOR ADVISED OF INTER-AGENCY
DECISIONON LOANS.
REF: ASUNCION 3949; STATE 229738

1. AMBASSADOR LOPEZ ESCOBAR CALLED ON DEPUTY ASSISTANT
SECRETARY MCNEIL ON SEPTEMBER 26 TO DISCUSS THE INTER-
AGENCY DECISION AND OTHER SUBJECTS. ARA/ECP DIRECTOR
STEPHEN ROGERS AND DESK OFFICER GRAHAM WERE ALSO PRESENT.

2. THE AMBASSADOR WAS INFORMED OF THE LOANS APPROVED FOR
PARAGUAY. HE THEN ASKED THE STATUS OF THE OTHER LOANS
WHICH THE GOP AGREED TO WITHDRAW LAST JUNE FROM CONSIDERATION BY THE IDB. THE AMBASSADOR WAS ADVISED THAT OTHER
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LOAN APPLICATIONS WILL BE CONSIDERED AS THEY COME BEFORE
THE IDB BOARD WITH THE CAVEATS CONTAINED IN THE STATE
REFTEL, I.E., THAT FUTURE DECISIONS WILL BE PREDICATED
ON GOP COOPERATION WITH THE IAHRG AND THE STATE OF HUMAN
RIGHTS CONDITIONS IN PARAGUAY AT THE TIME.

3. AMBASSADOR LOPEZ ESCOBAR, AT THIS POINT, PUT FORTH THE

ARGUMENTATION THAT PARAGUAY IS ATTEMPTING TO BRIDGE MANY GENERATIONS OF ECONOMIC NEGLECT WITH A MAJOR DEVELOPMENT

PROGRAM. IF HIS GOVERNMENT IS UNABLE TO OBTAIN LOANS AT THIS TIME BECAUSE OF U.S. OPPOSITION, IT WAS HIS OPINION THAT THOSE WHO WILL SUFFER WILL BE THE PARAGUAYAN PEOPLE AND NOT THE GOVERNMENT.

4. THE MATTER OF POSSIBLE EXPORT-IMPORT BANK FINANCING FOR THE DC-8S CAME UP. STEPHEN ROGERS EXPLAINED THAT WE HAD SPOKEN TO EXIM AFTER CENTRAL BANK PRESIDENT ACOSTA'S MEETING. IT IS OUR UNDERSTANDING THAT THE MEETING WENT BETTER THAN ACOSTA REPORTED. EXIM BELIEVES THE PROPOSED LOAN HAS MERIT AND IS INTERESTED IN INCREASING ITS BUSINESS IN PARAGUAY. (THE TOTAL COST OF THE AIRCRAFT IS ESTIMATED BY THE EXIM AT APPROXIMATELY \$11 MILLION, OF WHICH IT IS ANTICIPATED THAT A COMMERCIAL BANK WOULD FINANCE THE LARGER SHARE OF THE EARLY MATURITIES, WHILE THE EXIM BANK MIGHT EXPECT TO FINANCE ABOUT \$4 MILLION OF THE LATER MATURITIES.)

5. THE EXIM BANK DID, HOWEVER, TELL ROMERO ACOSTA THAT ALL SUCH LOAN APPLICATIONS ARE ROUTINELY PASSED TO THE DEPARTMENT FOR AN OPINION ON THE QUESTION OF HUMAN RIGHTS AND POLITICAL CONSIDERATIONS. WE CONFIRMED TO AMBASSADOR LOPEZ ESCOBAR THAT THIS IS INDEED THE CASE, BUT THAT THIS CONFIDENTIAL

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STATEMENT BY THE EXIM BANK SHOULD NOT BE VIEWED BY THE GOP AS A NEGATIVE REPLY. ON THE CONTRARY, THE AMBASSADOR WAS ADVISED THAT THE PROPER COURSE WAS FOR HIS GOVERNMENT TO FOLLOW NORMAL PROCEDURES IN APPLYING FOR THE LOAN.

6. WE ADDED THAT ONE FACTOR WHICH WOULD OBVIOUSLY BE HELPFUL IN THE DEPARTMENT'S REVIEW OF THE LOAN APPLICATION WOULD BE FOR THE GOP, IN CONSULTATION WITH THE IAHR, TO SET A DATE FOR THE IAHR VISIT. THE AMBASSADOR REPLIED THAT HIS GOVERNMENT WAS IN CONSTANT COMMUNICATION WITH THE IAHR, BUT THAT IT SEEMED IMPOSSIBLE TO FIX A DATE UNTIL AFTER THE COMMISSION HAD MET AND AT LEAST CONSIDERED THE GOP'S SPECIAL REPORT.

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